

lems. Whoever the proper state official is, the right one, that is the one we will put in and if it is not the Comptroller or if he does not even have a name, we will use the language which will clearly indicate what we mean.

So now let me pass that for a moment by saying that we pledge irrevocably the full faith and credit of the State. No specific real estate tax is then required and the principal official of the State in charge of fiscal affairs is the one who must provide the money as it is provided by the General Assembly in the budget. If it is not in the budget, then the money can and will be taken from the money that comes in. But the State does not immediately go out of the taxing of real estate because we have pending a great deal of bonding payment, principal and interest over a long number of years yet to come, up to 15 years; until that is all paid out, the counties and the city will not be able to feel that the State has any turned over to them all of the power to tax real estate, but we go a step further. We say the State shall not give up its right to tax real estate. The State is giving up no powers to tax. We are just hoping that by this device which is good business, that the State may find itself well able to get out of the taxing of real estate, but mind you, the State does not, N-O-T, does not give up its powers of taxation.

Now, we come back to another aspect of this recommendation because now we say that unless the law which creates this obligation includes the irrevocable pledge of the full faith and credit of the State, the obligation shall not be considered an indebtedness of the State. The terms of this section shall not apply, but if it does include such a pledge, then it is secured by the unlimited taxing power of the State and it is subject to the terms of this section. So that before this becomes applicable, that law creating this bonding indebtedness must pledge irrevocably the full faith of the State and if it does not, then it is not an obligation of the State of Maryland.

DELEGATE BENNETT: Mr. Chairman —

*(Second Vice President William James, assumed the Chair.)*

DELEGATE JAMES (presiding): For what purpose does Delegate Bennett rise?

DELEGATE BENNETT: Just to ask the Chairman to permit an interruption.

DELEGATE JAMES (presiding): Yes, indeed.

DELEGATE BENNETT: Why would the legislature not wish to pledge the full faith and credit to the State under any circumstances?

DELEGATE SHERBOW: I could not conceive of their not doing it if this constitution is passed but there will be many occasions which I will discuss in a moment, Delegate Bennett, when the State does not want to pledge its full faith and credit for those issues which are not the kind of issues where the State should. For example, what has come to be known as revenue bonds where the people who buy the bonds are looking not to the State of Maryland, but to that which is being created, a bridge, a tunnel or a particular highway and the revenues coming from that particular object, that is where they are looking for their money, that is where they expect it, that is where they will get it and therefore, the State does not pledge its faith and credit because there are, and I am coming to it, but I will answer it since I said I would, these different classifications of bond.

Now, we wanted to be sure that there would be no misunderstanding that this section does not preclude the issue of revenue bonds. On the contrary, we make it abundantly clear that this can be done and that when it is done, you look to that which is the source of your payment but it is not the full faith and credit of the State. Where it is, of course, a state bond issue pledging the full faith and credit of the State, then of course this means that every resource we have is behind it, but there has grown up and will continue to grow up all kinds of objects for state construction that at the moment we may not even be able to dream up where the revenues will take care of the payments of principal and interest and the State very probably will continue to say, as it has in the past, as it does now with State roads and with bridges: you look to the revenues not to the full faith and credit of the State.

Now, it is the pledge of the unlimited taxing power of the State. I have discussed with you if we do not make the payment, the comptroller is there to make sure, or whoever the official is, that it will be paid.

Now, one of the other objections that occurred in days past, which circumscribed the method of bond issues is a requirement that the State of Maryland will not incur bonds or bonded indebtedness that goes beyond a period of 15 years. Now, on this subject, there is a Minority Report and undoubtedly some amendments. I want to discuss this quite fully with you.